

**OTTUMWA COMMUNITY SCHOOL DISTRICT  
OTTUMWA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

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# OTTUMWA COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Carol Mitchell	President	2013
R. Payson Moreland	Vice President	2013
Ron Oswalt	Board Member	2011
Greg Riley	Board Member	2011
Cindy Kurtz-Hopkins	Board Member	2011
Doug Mathias	Board Member	2011
Jeff Strunk	Board Member	2013
<u>School Officials</u>		
Dr. Jon Sheldahl	Superintendent	2011
John Donner	Business Manager (Resigned March 2011)	
	District Secretary/Treasurer	2011
Roberta Freeborn	District Secretary/Treasurer (Appointed April 2011)	2011
Richard Gaumer	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Ottumwa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ottumwa Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2012 on our consideration of Ottumwa Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ottumwa Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa  
January 3, 2012

**Ottumwa Community School District**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the fiscal year ended June 30, 2011**

Ottumwa Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

**Financial Highlights**

- The District received Federal American Recovery and Reinvestment Act (ARRA) funds in the amount of \$453,739, Education Jobs Funds of \$911,275, (of which \$212,523 was expended in 2010-11), and ARRA Special Education, Part B funds of \$191,535.
- The District's general fund unassigned fund balance increased by \$763,233 to \$2,785,320 on June 30, 2011, making the District's solvency ratio 6.47%.
- The District's property tax levy rate remained constant at approximately the average for the State of Iowa.
- The District showed an increase in total net assets of \$3,211,524 for the year ended June 30, 2011, a 15.1% increase.
- Government funds reported total fund balances on June 30, 2011, of \$9,911,053 compared to \$8,095,329 reported on June 30, 2010, an increase of \$1,815,724. Fund balances by fund are as follows: General Fund \$4,024,414, Capital Projects Fund \$2,419,393, Student Activities Fund \$565,979, Debt Service 2,764,032 and Management Fund \$137,235.

**Overview of the Financial Statements**

This Discussion and Analysis is intended to serve as an introduction to the Ottumwa Community School District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements.** The district-wide financial statements are designed to provide readers with a broad overview of Ottumwa Community School District's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Ottumwa Community School District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the district-wide financial statements reflect functions of the Ottumwa Community School District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the district include instruction, support services, non-instructional programs, operation and maintenance of plant, student transportation and capital construction. Business-type activities are those that the District charges a fee to help cover the cost, such as school nutrition, before and after school child care and student construction.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same function reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financial requirements.

Because of the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes to fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Funds which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation.

**Proprietary funds.** Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the district-wide statements. The District has two types of proprietary funds: enterprise and internal service. The District has three enterprise funds: School Nutrition, Youth Care and Student Construction. The District maintains one internal service fund to account for the premium and claim payments for the self-funded health and dental plans of the District.

**Fiduciary funds.** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds. The District has one Private-purpose Trust Fund to account for the outside donations for scholarships for individual students.

**Notes to the financial statements.** The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

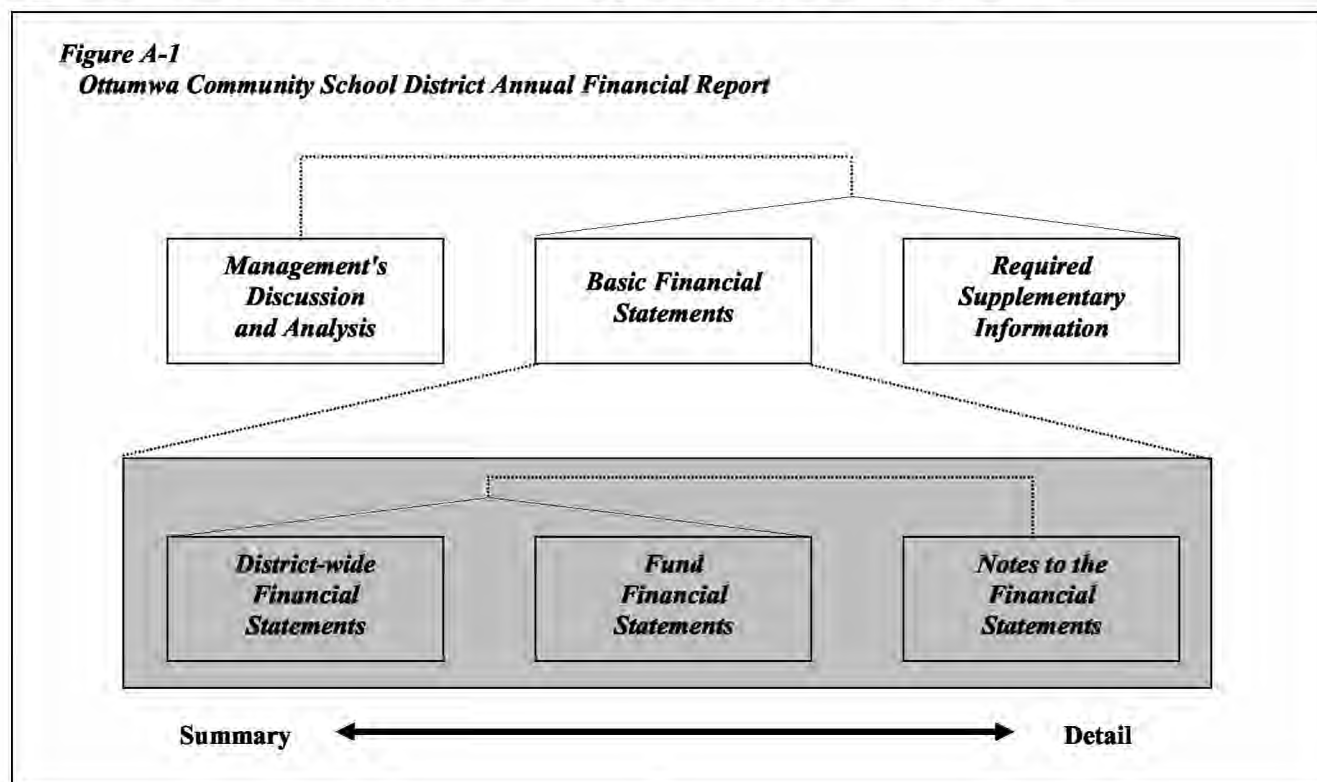




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Net Assets** – Table 1 below provides a summary of the District’s net assets for the year ended June 30, 2011 compared to June 30, 2010.

*Table 1-Net Assets*

	<u>Governmental Activities</u>		<u>Business Type</u>		<u>Total District</u>	
	<u>June 30</u>		<u>June 30</u>		<u>June 30</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>						
Current and other assets	\$28,479,606	\$25,521,541	942,012	867,603	\$29,421,618	\$26,389,144
Capital assets	25,669,879	27,118,711	390,741	442,170	26,060,620	27,560,881
Total assets	<u>54,149,485</u>	<u>52,640,252</u>	<u>1,332,753</u>	<u>1,309,773</u>	<u>55,482,238</u>	<u>53,950,025</u>
<b>LIABILITIES</b>						
Other liabilities	17,643,879	16,493,812	157,039	177,836	17,800,918	16,671,648
Long-term liabilities	13,230,139	16,047,771	15,101	6,050	13,245,240	16,053,821
Total liabilities	<u>30,874,018</u>	<u>32,541,583</u>	<u>172,140</u>	<u>183,886</u>	<u>31,046,158</u>	<u>32,725,469</u>
<b>NET ASSETS</b>						
Invested in capital assets						
Net of debt	13,639,879	12,343,711	390,741	442,170	14,030,620	12,785,881
Restricted	6,680,072	5,536,891			6,680,072	5,536,891
Unrestricted	<u>2,955,516</u>	<u>2,218,067</u>	<u>769,872</u>	<u>683,717</u>	<u>3,725,388</u>	<u>2,901,784</u>
Total Net Assets	<u>23,275,467</u>	<u>20,098,669</u>	<u>1,160,613</u>	<u>1,125,887</u>	<u>24,436,080</u>	<u>21,224,556</u>

The District’s combined total net assets increased by \$3,211,524, or 15.1%, for 2011. The increase came from a \$1,244,739 increase in investment in capital assets net of debt as long term debt was decreased by \$2,745,000. Restricted net assets are \$6,680,072 and are resources that are subject to external restrictions on how they may be used. The majority of restricted assets are for debt repayment, \$2,571,432, and capital projects, \$2,419,393. Unrestricted net assets are \$3,725,388 and may be used to meet the District’s ongoing obligations to students and creditors.

# Statement of Activities

*Table 2 – Statement of Activities and Changes to Net Assets*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>		<u>Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010 - 2011</u>
<b>Revenues</b>							
<b>Program Revenues</b>							
Charges for services	1,756,755	1,687,770	690,344	1,035,870	2,447,099	2,723,640	-10.1%
Operating grants and contributions	9,616,978	9,884,035	1,469,756	1,376,618	11,086,734	11,260,653	-1.5%
Capital grants and contributions		230,447				230,447	
<b>General Revenues</b>							
Property and other taxes	10,522,203	9,772,054			10,522,203	9,772,054	7.7%
Local option sales tax	3,654,860	3,450,457			3,654,860	3,450,457	5.9%
State and federal grants	23,091,337	20,786,310			23,091,337	20,786,310	11.1%
Other	82,143	172,748	3,737	3,064	85,880	175,812	-51.2%
<b>Total Revenues</b>	<b>48,724,276</b>	<b>45,983,821</b>	<b>2,163,837</b>	<b>2,415,552</b>	<b>50,888,113</b>	<b>48,399,373</b>	<b>5.1%</b>
<b>Expenditures</b>							
Instruction	28,697,885	28,041,562			28,697,885	28,041,562	2.3%
Pupil and instructional services	3,508,923	3,324,641			3,508,923	3,324,641	5.5%
Administrative and business services	4,013,364	4,271,786	77,700	76,548	4,091,064	4,348,334	-5.9%
Maintenance and operations	3,816,363	3,615,199			3,816,363	3,615,199	5.5%
Transportation	1,453,859	1,311,944	12,493	16,409	1,466,352	1,328,353	10.4%
Other	4,038,650	4,193,848	2,035	177,718	4,040,685	4,371,566	-7.6%
Non instructional	18,434	27,815	2,036,883	2,044,317	2,055,317	2,072,132	-.1%
<b>Total Expenditures</b>	<b>45,547,478</b>	<b>44,786,795</b>	<b>2,129,111</b>	<b>2,314,992</b>	<b>47,676,589</b>	<b>47,101,787</b>	<b>1.2%</b>
Change in net assets	3,176,798	1,197,026	34,726	100,560	3,211,524	1,297,586	147%
Net assets beginning of year	20,098,669	18,901,643	1,125,887	1,025,327	21,224,556	19,926,970	6.5%
Net assets end of year	23,275,467	20,098,669	1,160,613	1,125,887	24,436,080	21,224,556	15.1%

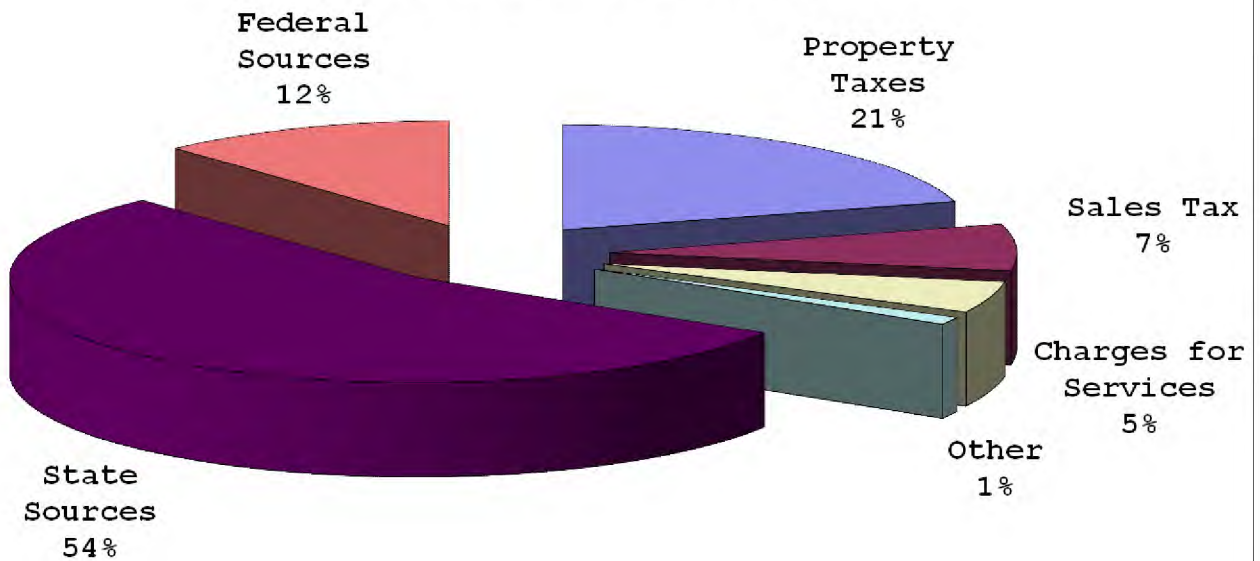
## Governmental Activities

- Revenues from government activities increased by \$2,740,455, or 6.0%, and expenses increased by \$760,683, or 1.7%. Net assets increased by \$3,176,798 from 2010.

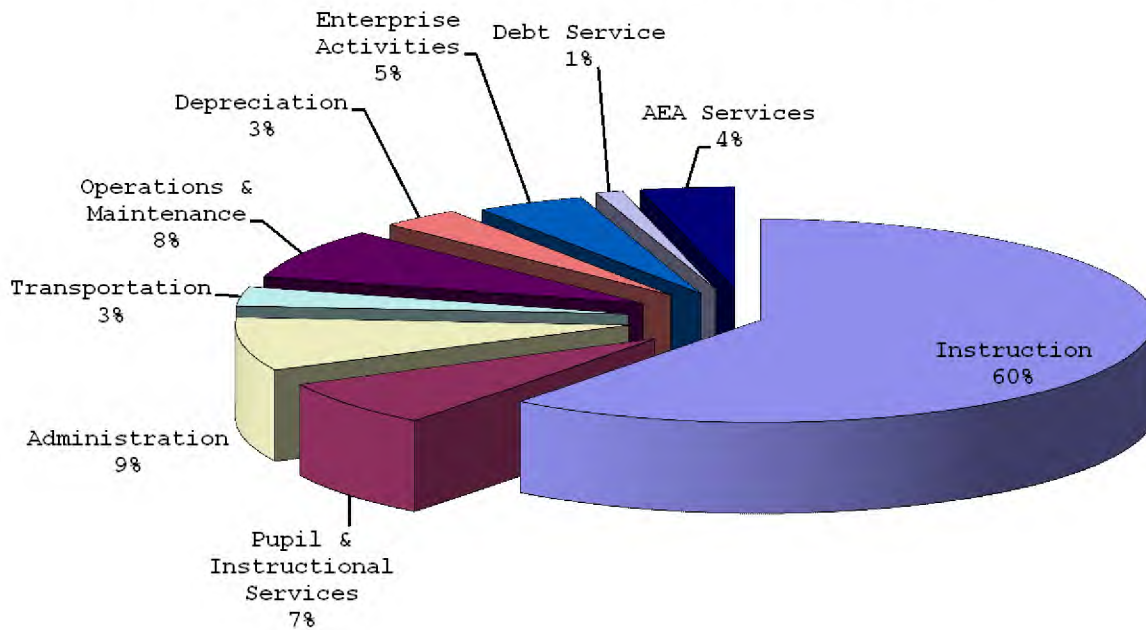
## Business Type Activities

- Revenues from business-type activities declined by \$251,715 or 10.4% and expenditures declined by \$185,881 or 8%. The reason for the majority of the decline was that the District was unable to sell a student constructed house during 2010-11.

## Sources of District Revenue for FY 2011



## Expenditures for FY 2011



### Historical Taxable Valuation and Levy rate per \$1000 Taxable Valuation

	<b>Taxable Valuation</b>	<b>% Change</b>	<b>Levy Rate</b>
FY 01	510,807,450	-1.7%	17.01
FY 02	522,821,757	2.4%	17.19
FY 03	515,637,703	-1.4%	17.59
FY 04	524,498,646	1.7%	17.56
FY 05	554,237,884	5.7%	14.85
FY 06	569,926,691	2.8%	14.95
FY 07	600,142,208	5.3%	13.85
FY 08	598,991,897	-.2%	14.59
FY 09	637,357,198	6.4%	14.95
FY 10	653,840,645	2.6%	14.95
FY 11	695,847,620	6.4%	14.97
FY 12	743,925,779	6.9%	14.80
FY 13	792,797,616	6.6%	

Taxable valuation excludes TIF

Over the last five years, taxable valuations have increased an average of 4.1% a year. The District's levy rate has remained fairly constant in the \$14.95 range for the last 8 years. This rate is very comparable to the average levy rate for Iowa school districts during this period.

### Financial Analysis of the District's Funds

A summary financial analysis of each individual District fund follows:

#### Governmental Fund Highlights

The focus of the Ottumwa Community School District's governmental funds is to provide information on the near-term inflows, outflows and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

- On June 30, 2011 the District reported a total government funds fund balance of \$9,911,053, an increase of \$1,815,724, or 22.4%, from the prior year.

#### General Fund

- Total general fund revenues for FY 2011 were \$43,031,482, an increase of \$2,714,269 or 6.7%, from the prior year. The majority of the increase came from Federal stimulus funds and State funding that was reduced in FY 2010.
- Expenditures for FY 2011 were \$41,903,718, an increase of \$1,113,146 or 2.7%, from the prior year.
- For FY 2011 revenues exceeded expenditures by \$1,127,764 compared to a negative \$473,359 for FY 2010.

#### Debt Service Fund

- The Debt Service Fund saw an increase of \$149,589 over FY2010, or 5.7%. Revenues remained steady but expenditures were up by \$3,897,510 due to a bond refunding.

#### Management Levy Fund

- The management levy fund balance saw a reduction of \$75,513 during the year as expenditures increased by \$76,631 from the prior year.

### **Student Activities Fund**

- The student activity fund remains fairly stable with a balance of \$565,979, a reduction of \$22,277 from the prior year.

### **Capital Projects Fund**

- The capital project fund reported an increase to the fund balance of \$635,663 to \$2,419,393. The District is embarking on a new \$15 million elementary school building project beginning in the spring of 2012.

## **Proprietary Fund Highlights**

### **School Nutrition Fund**

- Net assets increased by \$54,677 to \$858,553 with revenues of \$1,997,743 and expenditures of 1,943,066.

### **Youth Care Fund**

- Net assets declined by \$21,661 to \$57,449 as revenues declined \$38,928 from FY 2010.

### **Student Constructed House Fund**

- Revenue of only \$3,745 was shown for this fund as the student constructed house did not sell during the fiscal year.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget, following required public notice and hearing for all funds, except its private-purpose trust and agency funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared in accordance with generally accepted accounting principles. For FY 2011, the District's amended total budget was revenue of \$52,985,959 and expenditures of \$53,399,300. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

## **Legal Budgetary Highlights**

Actual revenues were \$2,097,951 less than budgeted and expenditures were \$1,046,637 less than budgeted. The District exceeded the support services budget by \$479,457. See the Auditor findings.

## Capital Asset and Debt Administration

### Capital Assets

	<u>Governmental Activities</u>		<u>Business- Type</u>		<u>District</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>Total</u>
					<u>2011</u>
Land	472,677	472,677			472,677
Construction in progress	78,475				78,475
Buildings	45,698,803	45,617,528			45,698,803
Improvements non Bldgs	858,152	858,152			858,152
Furniture and Equipment	769,718	746,047	892,135	892,135	1,661,853
Total Capital Assets	47,877,825	47,694,404	892,135	892,135	48,769,960
Accumulated Depreciation	22,207,946	20,575,693	501,394	449,965	22,709,340
Capital Net Assets	25,669,879	27,118,711	390,741	442,170	26,060,620

The District had no major construct projects ongoing during the year.

### Long-Term Debt

	<u>Outstanding</u>	<u>Net Change</u>	<u>Outstanding</u>
	<u>2010</u>	<u>2011</u>	<u>2011</u>
Early Retirement & Compensated Absence	789,618	-174,080	615,538
General Obligation Bonds	4,090,000	-775,000	3,315,000
Sales and Service Tax Bonds	10,685,000	-1,970,000	8,715,000
Net OPEB Liability	483,153	101,448	584,601
Total	16,047,771	-2,817,632	13,230,139

General Obligation Refunding Bonds in the amount of \$3,315,000 were issued during the year to refinance \$3,345,000 of outstanding bonds at a more favorable rate, saving the District \$255,915 over the next seven years.

### Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's enrollment should be expected to continue to decrease at a 1-2% annual decline based on current trends. The District's decline in enrollment has been slightly less than that experienced by surrounding rural school districts.
- Allowable growth for 2011-12 will be 1% for the District in 2011-12 based on the State's 101% budget guarantee, future allowable growth after 11-12 will show larger declines as this is a one year only 101% budget guarantee.
- Effective July 1<sup>st</sup> 2011 contributions to the Iowa Public Employees Retirement System (IPERS) will be increasing 2%, 1.12% for the District and .88% for the Employee. Future increases will be limited to maximum of 1% annually.
- The District plans to construct a \$15 million elementary school starting in the spring of 2012 and will issue sales tax bonds to finance this project.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Donner, Business Manager, Ottumwa Community School District, 422 McCarroll Drive, Ottumwa, Iowa, 52501.



## Basic Financial Statements

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 15,229,454	\$ 559,962	\$ 15,789,416
Receivables:			
Property tax:			
Current year	243,665	-	243,665
Succeeding year	11,032,445	-	11,032,445
Internal balances	140,000	(140,000)	-
Accounts	442	-	442
Due from other governments	1,470,879	-	1,470,879
Inventories	65,721	522,050	587,771
Prepaid expenses (note 5)	297,000	-	297,000
Capital assets, net of accumulated depreciation (note 6)	25,669,879	390,741	26,060,620
<b>Total assets</b>	<b>54,149,485</b>	<b>1,332,753</b>	<b>55,482,238</b>
<b>Liabilities</b>			
Accounts payable	977,630	20,591	998,221
Salaries and benefits payable	4,432,451	128,049	4,560,500
Claims incurred but not reported	290,000	-	290,000
Accrued interest payable	192,600	-	192,600
Deferred revenue:			
Succeeding year property tax	11,032,445	-	11,032,445
Other	718,753	8,399	727,152
Long-term liabilities (notes 8 and 9):			
Portion due within one year:			
Early retirement	173,232	-	173,232
Bonds payable	2,920,000	-	2,920,000
Compensated absences	140,162	-	140,162
Portion due after one year:			
Early retirement	302,144	-	302,144
Bonds payable	9,110,000	-	9,110,000
Net OPEB liability	584,601	15,101	599,702
<b>Total liabilities</b>	<b>30,874,018</b>	<b>172,140</b>	<b>31,046,158</b>

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 13,639,879	\$ 390,741	\$ 14,030,620
Restricted for:			
Categorical funding (note 13)	1,123,268	-	1,123,268
Student activities	565,979	-	565,979
Debt service	2,571,432	-	2,571,432
Capital projects	2,419,393	-	2,419,393
Unrestricted	2,955,516	769,872	3,725,388
Total net assets	\$ 23,275,467	\$ 1,160,613	\$ 24,436,080

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Governmental Activities:			
Instruction:			
Regular instruction	\$ 18,198,132	\$ 633,792	\$ 3,982,603
Special instruction	4,690,880	182,506	2,555,001
Other instruction	5,808,873	890,095	915,553
	<u>28,697,885</u>	<u>1,706,393</u>	<u>7,453,157</u>
Support services:			
Student services	1,634,095	-	53,501
Instructional staff services	1,874,828	-	254,385
Administration services	4,013,364	-	-
Operation and maintenance of plant services	3,816,363	50,362	7,600
Transportation services	1,453,859	-	2,648
	<u>12,792,509</u>	<u>50,362</u>	<u>318,134</u>
Non-instructional programs	<u>18,434</u>	<u>-</u>	<u>-</u>
Other expenditures:			
Facilities acquisition	139,293	-	23,409
Long-term debt interest and fiscal charges	516,999	-	-
AEA flowthrough	1,822,278	-	1,822,278
Depreciation (unallocated) *	1,560,080	-	-
	<u>4,038,650</u>	<u>-</u>	<u>1,845,687</u>
Total governmental activities	<u>45,547,478</u>	<u>1,756,755</u>	<u>9,616,978</u>
Business-Type Activities:			
Support services:			
Food service operations	77,700	-	-
Other programs	12,493	-	-
	<u>90,193</u>	<u>-</u>	<u>-</u>

Net (Expense) Revenue  
and Changes in Net Assets

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Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (13,581,737)	\$ -	\$ (13,581,737)
(1,953,373)	-	(1,953,373)
(4,003,225)	-	(4,003,225)
<hr/>		
(19,538,335)	-	(19,538,335)
<hr/>		
(1,580,594)	-	(1,580,594)
(1,620,443)	-	(1,620,443)
(4,013,364)	-	(4,013,364)
(3,758,401)	-	(3,758,401)
(1,451,211)	-	(1,451,211)
<hr/>		
(12,424,013)	-	(12,424,013)
<hr/>		
(18,434)	-	(18,434)
<hr/>		
(115,884)	-	(115,884)
(516,999)	-	(516,999)
-	-	-
(1,560,080)	-	(1,560,080)
<hr/>		
(2,192,963)	-	(2,192,963)
<hr/>		
(34,173,745)	-	(34,173,745)
<hr/>		
-	(77,700)	(77,700)
-	(12,493)	(12,493)
<hr/>		
-	(90,193)	(90,193)
<hr/>		

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants, Contributions and Restricted Interest
Business-Type Activities (continued):			
Non-instructional programs:			
Food service operations	\$ 1,865,366	\$ 541,975	\$ 1,452,596
Other programs	171,517	144,624	17,160
	<u>2,036,883</u>	<u>686,599</u>	<u>1,469,756</u>
Other expenses:			
Other programs	2,035	3,745	-
	<u>2,129,111</u>	<u>690,344</u>	<u>1,469,756</u>
Total business-type activities	<u>2,129,111</u>	<u>690,344</u>	<u>1,469,756</u>
Total	\$ 47,676,589	\$ 2,447,099	\$ 11,086,734

General revenues:

Property tax levied for:  
    General purposes  
    Debt service  
Statewide sales, services and use tax  
Unrestricted state and federal grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ -	\$ 129,205	\$ 129,205
-	(9,733)	(9,733)
-	119,472	119,472
-	1,710	1,710
-	30,989	30,989
(34,173,745)	30,989	(34,142,756)
\$ 9,806,580	\$ -	\$ 9,806,580
715,623	-	715,623
3,654,860	-	3,654,860
23,091,337	-	23,091,337
65,515	3,737	69,252
16,628	-	16,628
37,350,543	3,737	37,354,280
3,176,798	34,726	3,211,524
20,098,669	1,125,887	21,224,556
\$ <u>23,275,467</u>	\$ <u>1,160,613</u>	\$ <u>24,436,080</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General	Debt Service	Nonmajor	Total
<b>Assets</b>				
Cash and pooled investments	\$ 8,789,610	\$ 2,747,504	\$ 2,273,684	\$ 13,810,798
Receivables:				
Property tax:				
Current year	218,734	16,528	8,403	243,665
Succeeding year	9,922,445	709,999	400,001	11,032,445
Interfund receivable (note 3)	140,000	-	-	140,000
Accounts	442	-	-	442
Due from other governments	893,723	-	577,156	1,470,879
Inventories	65,721	-	-	65,721
Prepaid expenses (note 5)	-	-	297,000	297,000
<b>Total assets</b>	<b>\$ 20,030,675</b>	<b>\$ 3,474,031</b>	<b>\$ 3,556,244</b>	<b>\$ 27,060,950</b>



OTTUMWA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General	Debt Service	Nonmajor	Total
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 918,534	\$ -	\$ 32,714	\$ 951,248
Salaries and benefits payable	4,431,529	-	922	4,432,451
Deferred revenue:				
Succeeding year property tax	9,922,445	709,999	400,001	11,032,445
Other	733,753	-	-	733,753
Total liabilities	<u>16,006,261</u>	<u>709,999</u>	<u>433,637</u>	<u>17,149,897</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Inventories	65,721	-	-	65,721
Prepaid expenses	-	-	297,000	297,000
<b>Restricted for:</b>				
Categorical funding (note 13)	1,123,268	-	-	1,123,268
Debt service	-	2,764,032	-	2,764,032
Management levy purposes	-	-	137,235	137,235
Student activities	-	-	565,979	565,979
School infrastructure	-	-	2,122,393	2,122,393
<b>Assigned:</b>				
Stevens educational trust	50,105	-	-	50,105
Unassigned	2,785,320	-	-	2,785,320
Total fund balances	<u>4,024,414</u>	<u>2,764,032</u>	<u>3,122,607</u>	<u>9,911,053</u>
<b>Total liabilities and fund balances</b>	<u>\$ 20,030,675</u>	<u>\$ 3,474,031</u>	<u>\$ 3,556,244</u>	<u>\$ 27,060,950</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2011

Total fund balances of governmental funds	\$ 9,911,053
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
The Internal Service Fund net assets are incorporated into governmental net assets due to the integral nature of the services performed.	1,102,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	25,669,879
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	15,000
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(192,600)
Long-term liabilities, including bonds payable, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(13,230,139)</u>
Net assets of governmental activities	<u>\$ 23,275,467</u>
See notes to financial statements.	

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	General	Debt Service	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 9,435,659	\$ 715,015	\$ 4,017,316	\$ 14,167,990
Tuition	667,025	-	-	667,025
Other	494,440	13,752	945,686	1,453,878
Intermediate sources	192,655	-	-	192,655
State sources	27,704,916	607	313	27,705,836
Federal sources	4,536,787	-	-	4,536,787
Total revenues	43,031,482	729,374	4,963,315	48,724,171
Expenditures:				
Current:				
Instruction	27,507,711	-	1,169,930	28,677,641
Support services:				
Student services	1,634,091	-	-	1,634,091
Instructional staff services	1,872,831	-	1,998	1,874,829
Administration services	3,991,603	-	22,040	4,013,643
Operation and maintenance of plant services	3,609,156	-	175,985	3,785,141
Transportation services	1,447,614	-	6,246	1,453,860
	12,555,295	-	206,269	12,761,564
Non-instructional programs	18,434	-	-	18,434
Other expenditures:				
Facilities acquisition	-	-	322,714	322,714
Long term debt:				
Principal	-	6,060,000	-	6,060,000
Interest and fiscal charges	-	560,921	-	560,921
AEA flowthrough	1,822,278	-	-	1,822,278
	1,822,278	6,620,921	322,714	8,765,913
Total expenditures	41,903,718	6,620,921	1,698,913	50,223,552
Excess (deficiency) of revenues over (under) expenditures	1,127,764	(5,891,547)	3,264,402	(1,499,381)

OTTUMWA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	General	Debt Service	Nonmajor	Total
Other financing sources (uses):				
Sale of equipment	\$ 105	\$ -	\$ -	\$ 105
Interfund transfers in (note 4)	393	2,726,136	-	2,726,529
Interfund transfers out (note 4)	-	-	(2,726,529)	(2,726,529)
General obligation bonds issued	-	3,315,000	-	3,315,000
Total other financing sources (uses)	<u>498</u>	<u>6,041,136</u>	<u>(2,726,529)</u>	<u>3,315,105</u>
Net change in fund balances	1,128,262	149,589	537,873	1,815,724
Fund balances beginning of year	<u>2,896,152</u>	<u>2,614,443</u>	<u>2,584,734</u>	<u>8,095,329</u>
Fund balances end of year	<u>\$ 4,024,414</u>	<u>\$ 2,764,032</u>	<u>\$ 3,122,607</u>	<u>\$ 9,911,053</u>

See notes to financial statements.

## OTTUMWA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 1,815,724

Amounts reported for governmental activities in the Statement of Activities  
are different because:

The change in net assets of the Internal Service Fund represents an  
overcharge for services performed for governmental activities. Expenses  
in governmental activities are adjusted to reflect this overcharge in the  
Statement of Activities. (51,648)

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are not reported  
in the Statement of Net Assets and are allocated over their estimated useful  
lives as depreciation expense in the Statement of Activities. The amounts  
of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 183,421	
Depreciation expense	<u>(1,632,253)</u>	(1,448,832)

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds but issuing debt increases long-term liabilities in the  
Statement of Net Assets and does not affect the Statement of Activities. (3,315,000)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but it reduces long-term liabilities in the Statement of Net Assets. 6,060,000

Interest on long-term debt in the Statement of Activities differs from the  
amount reported in the governmental funds because interest is recorded as  
an expenditure in the funds when due. In the Statement of Activities,  
however, interest expense is recognized as the interest accrues, regardless  
of when it is due. 43,922

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

Early retirement	131,493	
Compensated absences	42,587	
Net OPEB liability	<u>(101,448)</u>	<u>72,632</u>

Change in net assets of governmental activities \$ 3,176,798

See notes to financial statements.

## OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2011

	Enterprise Funds	Internal Service Fund
	<u>          </u>	<u>          </u>
Assets		
Cash and cash equivalents	\$ 559,962	\$ 1,418,656
Inventories	522,050	-
Capital assets, net of accumulated depreciation (note 6)	390,741	-
Total assets	<u>1,472,753</u>	<u>1,418,656</u>
Liabilities		
Interfund payable (note 3)	140,000	-
Accounts payable	20,591	26,382
Salaries and benefits payable	128,049	-
Claims incurred but not reported	-	290,000
Deferred revenue	8,399	-
Net OPEB liability (notes 8 and 9)	15,101	-
Total liabilities	<u>312,140</u>	<u>316,382</u>
Net Assets		
Invested in capital assets	390,741	-
Unrestricted	769,872	1,102,274
Total net assets	<u>\$ 1,160,613</u>	<u>\$ 1,102,274</u>

See notes to financial statements.

## OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2011

	Enterprise Funds	Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 690,344	\$ 2,538,851
Operating expenses:		
Support services:		
Salaries	66,960	-
Benefits	8,602	-
Purchased services	14,631	-
	<u>90,193</u>	<u>-</u>
Non-instructional programs:		
Salaries	672,025	-
Benefits	132,915	-
Purchased services	65,099	2,598,660
Supplies	1,115,415	-
Other	51,429	-
	<u>2,036,883</u>	<u>2,598,660</u>
Facilities acquisition and construction:		
Purchased services	868	-
Supplies	1,167	-
	<u>2,035</u>	<u>-</u>
	<u>2,129,111</u>	<u>2,598,660</u>
Operating income (loss)	<u>(1,438,767)</u>	<u>(59,809)</u>
Non-operating revenues:		
Interest on investments	3,737	8,161
Local sources	1,800	-
State sources	17,366	-
Federal sources	1,450,590	-
Total non-operating revenues	<u>1,473,493</u>	<u>8,161</u>
Change in net assets	34,726	(51,648)
Net assets beginning of year	<u>1,125,887</u>	<u>1,153,922</u>
Net assets end of year	<u>\$ 1,160,613</u>	<u>\$ 1,102,274</u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	Enterprise Funds	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 514,313	\$ -
Cash received from miscellaneous operating activities	172,955	2,581,556
Cash payments to employees for services	(875,206)	-
Cash payments to suppliers for goods or services	<u>(1,299,494)</u>	<u>(2,556,482)</u>
Net cash provided by (used by) operating activities	<u>(1,487,432)</u>	<u>25,074</u>
Cash flows from non-capital financing activities:		
Increase in interfund payable	140,000	-
Local grants received	1,800	-
State grants received	17,366	-
Federal grants received	<u>1,321,884</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>1,481,050</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>3,737</u>	<u>8,161</u>
Net increase (decrease) in cash and cash equivalents	(2,645)	33,235
Cash and cash equivalents beginning of year	<u>562,607</u>	<u>1,385,421</u>
Cash and cash equivalents end of year	<u>\$ 559,962</u>	<u>\$ 1,418,656</u>



OTTUMWA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	Enterprise Funds	Internal Service Fund
Reconciliation of operating loss to net cash provided by (used by) operating activities:		
Operating loss	\$ (1,438,767)	\$ (59,809)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:		
Depreciation	51,429	-
Commodities used	128,706	-
Decrease in accounts receivable	-	42,705
(Increase) in inventories	(217,054)	-
Increase (decrease) in accounts payable	(13,966)	(12,822)
(Decrease) in salaries and benefits payable	(3,755)	-
(Decrease) in deferred revenue	(3,076)	-
Increase in claims incurred but not reported	-	55,000
Increase in net OPEB liability	9,051	-
Net cash provided by (used by) operating activities	<u>\$ (1,487,432)</u>	<u>\$ 25,074</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$128,706 of federal commodities.

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2011

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ 83,229
Accrued interest receivable	<u>682</u>
Total assets	<u>83,911</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>83,911</u></u>

See notes to financial statements.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,100	
Interest	<u>1,638</u>	
Total additions	<u>2,738</u>	
Deductions:		
Non-instructional programs:		
Scholarships awarded		<u>700</u>
Change in net assets	2,038	
Net assets beginning of year	<u>81,873</u>	
Net assets end of year	<u>\$ 83,911</u>	
See notes to financial statements.		

# OTTUMWA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 1. Summary of Significant Accounting Policies

Ottumwa Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Ottumwa, Iowa, and agricultural territory in Wapello County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Ottumwa Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Ottumwa Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wapello County Assessor's Conference Board.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District reports three nonmajor enterprise funds: the School Nutrition Fund, used to account for the food service operations of the District, the Youth Care, used to account for daycare operations, and the Career Academy House, used to account for the student-built house activities. The District also reports one internal service fund: the self-funded insurance fund, used to account for the District's self-funded health and dental insurance activity.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Interfund receivables (payables) – Amounts shown as interfund receivables and payables represent the amounts of short-term interfund loans which had not yet been repaid at year end.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Prepaid Expenses** – The District has paid for services that will not be a benefit until future periods. These amounts are reflected as a prepaid expenses asset in the financial statements.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 4,000
Buildings	4,000
Improvements other than buildings	4,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	4,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years

**Salaries and Benefits Payable** – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.



OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, unearned federal grants, and unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Education intends to use for specific purposes.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

# OTTUMWA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 1. Summary of Significant Accounting Policies (continued)

#### E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

### Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>3,530,194</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

### Note 3. Interfund Receivable/Payable

Details of the District's June 30, 2011 interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise, Career Academy House	\$ <u><u>140,000</u></u>

This amount arises from short-term interfund financing which had not yet been repaid at year end.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 2,726,136
General	Special Revenue, Management Levy	<u>393</u>
		<u>\$ 2,726,529</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Prepaid Expense

The District entered into an agreement to establish the Regional Academy at the Indian Hills Community College (IHCC) North Campus. The agreement calls for the lease of IHCC property for a term of 114 months for a total cost of \$330,000. The term runs from August, 2010 through January, 2021. The prepaid expense will be amortized on a straight-line basis over the term of the lease. The balance of the prepaid lease at June 30, 2011, totaled \$297,000.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 472,677	\$ -	\$ -	\$ 472,677
Construction in progress	-	78,475	-	78,475
Total capital assets not being depreciated	<u>472,677</u>	<u>78,475</u>	<u>-</u>	<u>551,152</u>
Capital assets being depreciated:				
Buildings	45,617,528	81,275	-	45,698,803
Improvements other than buildings	858,152	-	-	858,152
Furniture and equipment	746,047	23,671	-	769,718
Total capital assets being depreciated	<u>47,221,727</u>	<u>104,946</u>	<u>-</u>	<u>47,326,673</u>
Less accumulated depreciation for:				
Buildings	19,654,803	1,545,989	-	21,200,792
Improvements other than buildings	237,890	57,210	-	295,100
Furniture and equipment	683,000	29,054	-	712,054
Total accumulated depreciation	<u>20,575,693</u>	<u>1,632,253</u>	<u>-</u>	<u>22,207,946</u>
Total capital assets being depreciated, net	<u>26,646,034</u>	<u>(1,527,307)</u>	<u>-</u>	<u>25,118,727</u>
Governmental activities capital assets, net	<u>\$ 27,118,711</u>	<u>\$ (1,448,832)</u>	<u>\$ -</u>	<u>\$ 25,669,879</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Furniture and equipment	\$ 892,135	\$ -	\$ -	\$ 892,135
Less accumulated depreciation	<u>449,965</u>	<u>51,429</u>	<u>-</u>	<u>501,394</u>
Business-type activities capital assets, net	<u>\$ 442,170</u>	<u>\$ (51,429)</u>	<u>\$ -</u>	<u>\$ 390,741</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 50,623
Support services:	
Operation and maintenance of plant services	6,430
Transportation	<u>15,120</u>
	72,173
Unallocated depreciation	<u>1,560,080</u>
 Total governmental activities depreciation expense	 <u>\$ 1,632,253</u>

Business-type activities:

Food service operations	<u>\$ 51,429</u>
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Note 7. Short-term Financing

During the year ended June 30, 2011, the District's Internal Service, Self-Insurance Fund made a \$200,000 temporary loan for cash flow purposes to the Special Revenue, Management Levy Fund at a one percent per annum interest rate. The loan was repaid prior to June 30, 2011, including interest charges of \$393.

During the year ended June 30, 2011, the District's Internal Service, Self-Funded Insurance Fund made a \$100,000 temporary loan for cash flow purposes to the Enterprise, Career Academy House Fund at a one percent per annum interest rate. This original loan was repaid by the General Fund and the loan receivable was reclassified to the General Fund.

During the year ended June 30, 2011, the District's General Fund made an additional \$40,000 temporary loan to the Enterprise, Career Academy House Fund for cash flow purposes at a one percent per annum interest rate. The total amount of loans outstanding at year end of \$140,000 is represented as an interfund receivable and payable.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Early retirement	\$ 606,869	\$ 75,715	\$ 207,208	\$ 475,376	\$ 173,232
General obligation bonds	4,090,000	3,315,000	4,090,000	3,315,000	870,000
Revenue bonds	10,685,000	-	1,970,000	8,715,000	2,050,000
Compensated absences	182,749	140,162	182,749	140,162	140,162
Net OPEB liability	483,153	101,448	-	584,601	-
<b>Total</b>	<b>\$ 16,047,771</b>	<b>\$ 3,632,325</b>	<b>\$ 6,449,957</b>	<b>\$ 13,230,139</b>	<b>\$ 3,233,394</b>
<b>Business-type activities:</b>					
Net OPEB liability	\$ 6,050	\$ 9,051	\$ -	\$ 15,101	\$ -

**Early Retirement**

The District offered a voluntary early retirement plan to administrators for the year ended June 30, 2011.

Eligible administrators had to be at least age 55, with a minimum of five years consecutive service to the District immediately prior to retirement.

The early retirement incentive for each eligible employee was equal to the annual premium cost of the District's lowest cost single health insurance plan for a period of five years after retirement. No cash benefit was allowed for the plan offered for the year ended June 30, 2011.

The District has offered various other early retirement plans in prior years. Details of those plans are available upon request at the administration offices.

At June 30, 2011, the District had obligations to 42 participants with a total liability of \$475,376. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$207,208. Early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

# OTTUMWA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 8. Long-Term Liabilities (continued)

#### General Obligation Bonds Payable

During the year ended June 30, 2011, the District issued \$3,315,000 in General Obligation School Refunding Bonds. The bonds, dated April 1, 2011 are payable through the year ended June 30, 2015, with an interest rate of 2.00%.

The proceeds of the General Obligation Refunding Bonds were used to advance refund the General Obligation School Refunding Bonds issued on September 1, 1998. These bonds had interest rates ranging from 4.50 to 4.70%, were payable through the year ended June 30, 2015, and became callable on June 1, 2011. The refunding of the September 1, 2008 General Obligation School Refunding Bonds resulted in a total savings of \$255,915 in debt service requirements over the next seven years, with a net present value of \$244,432.

Details of the District's June 30, 2011 general obligations bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Issue dated April 1, 2011		
		Principal	Interest	Total
2012	2.00 %	\$ 870,000	\$ 77,350	\$ 947,350
2013	2.00	875,000	48,900	923,900
2014	2.00	895,000	31,400	926,400
2015	2.00	675,000	13,500	688,500
		<u>\$ 3,315,000</u>	<u>\$ 171,150</u>	<u>\$ 3,486,150</u>

During the year ended June 30, 2011, the District retired \$4,090,000 in general obligation bonds.

#### Revenue Bonds

Details of the District's June 30, 2011 revenue bonded indebtedness are as follows:

Year Ending June 30,	Issue dated July 19, 2007			Issue dated December 1, 2008			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
2012	4.18 %	\$ 1,735,000	\$ 268,460	3.88 %	\$ 315,000	\$ 49,179	\$ 2,050,000	\$ 317,639
2013	4.18	1,790,000	194,788	3.88	345,000	36,375	2,135,000	231,163
2014	4.18	1,850,000	118,712	3.88	370,000	22,504	2,220,000	141,216
2015	4.18	1,915,000	40,024	3.88	395,000	7,663	2,310,000	47,687
		<u>\$ 7,290,000</u>	<u>\$ 621,984</u>		<u>\$ 1,425,000</u>	<u>\$ 115,721</u>	<u>\$ 8,715,000</u>	<u>\$ 737,705</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 8. Long-Term Liabilities (continued)

The District pledged future local option (statewide) sales and services tax revenues to repay the \$10,000,000 bonds issued July 2007 and the \$2,000,000 bonds issued December 1, 2008. The bonds were issued for the purpose of financing a portion of the costs of renovating the middle school. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through June 30, 2015. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require approximately 65 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$9,452,705. For the current year, \$400,758 of interest was paid on the bonds and total statewide sales and services tax revenues were \$3,654,860.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) A reserve fund is not required for the bonds.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Note 9. Other Postemployment Benefits (OPEB)

**Plan Description** – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 254 active and 40 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-funded plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.



OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 281,651
Interest on net OPEB obligation	3,548
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	285,199
Contributions made	<u>174,700</u>
Increase in net OPEB obligation	110,499
Net OPEB obligation beginning of year	<u>489,203</u>
Net OPEB obligation end of year	<u><u>\$ 599,702</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$174,700 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 285,199	61.3%	\$ 599,702

**Funded Status and Funding Progress** – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$2,180,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,180,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$29,348,000, and the ratio of the UAAL to covered payroll was 7.4%. As of June 30, 2011, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6.0%.

Mortality rates are from the 94 Group Annuity Mortality Table, projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on an open basis over 30 years.

Note 10. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$1,927,810, \$1,834,474, and \$1,707,081, respectively, equal to the required contributions for each year.

Note 11. Risk Management

Self-Funded Health and Dental Insurance

Health – The District has a self-funded insurance plan for employee medical coverage. The District contributes to the self-insurance plan an amount equal to 125% of regular insurance coverage plus an amount for terminal funding. The fund reinsures for stop-loss insurance for individual claims in excess of \$40,000 per year and aggregate total claims of 125% of expected claims. A third party administrator is paid a fee to process the claims.

Dental – The District has a self-funded dental insurance plan for employee dental coverage. District employees contribute to the insurance plan and the plan reimburses the insurance carrier monthly for the claims paid plus pays an administrative fee. Professional services through the plan for the participants are limited to a combined maximum payment of \$750 per member per benefit period.

# OTTUMWA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 11. Risk Management (continued)

Payments are made to the plans based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for incurred but unpaid claims. The reserve for the Self-Funded Health and Self-Funded Dental plans was \$1,102,274 at June 30, 2011 and is recorded in the Internal Service Fund. The incurred but not reported claims liability of \$290,000 is reported as a liability of the Internal Service Fund at June 30, 2011.

Ottumwa Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,822,278 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### Note 13. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Special Education	\$ 354,208
Salary improvement program	162,444
Professional development for model core curriculum	139,059
Gifted and talented	136,425
Four-year-old preschool	134,258
Early intervention	121,319
Market factor incentives	33,495
Limited English proficiency	19,106
Reading recovery	8,626
Home school assistance program	5,667
Beginning teacher mentoring and induction	5,577
Non-public textbooks	3,084
	<hr/>
Total	\$ <u><u>1,123,268</u></u>

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 14. Construction and Other Commitments

The District has entered into a contract totaling \$156,950 for stadium improvements. As of June 30, 2011, costs of \$78,475 had been incurred against the contracts. The balance of \$78,475 remaining at June 30, 2011 will be paid as work on the project progresses.

The District has entered into a real estate purchase agreement for the purchase of 20 acres at \$11,000 per acre which amounts to a total commitment of \$220,000. Payment will be made upon finalization of the contract.

## Required Supplementary Information

# OTTUMWA COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Fund

### Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 16,288,893	\$ 695,881	\$ 16,984,774	\$ 16,720,203	\$ 16,720,203	\$ 264,571
Intermediate sources	192,655	-	192,655	169,000	169,000	23,655
State sources	27,705,836	17,366	27,723,202	30,637,756	30,637,756	(2,914,554)
Federal sources	4,536,787	1,450,590	5,987,377	5,459,000	5,459,000	528,377
<b>Total revenues</b>	<b>48,724,171</b>	<b>2,163,837</b>	<b>50,888,008</b>	<b>52,985,959</b>	<b>52,985,959</b>	<b>(2,097,951)</b>
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	28,677,641	-	28,677,641	28,860,000	28,860,000	182,359
Support services	12,761,564	90,193	12,851,757	12,372,300	12,372,300	(479,457)
Non-instructional programs	18,434	2,036,883	2,055,317	2,262,000	2,262,000	206,683
Other expenditures	8,765,913	2,035	8,767,948	6,501,487	9,905,000	1,137,052
<b>Total expenditures/expenses</b>	<b>50,223,552</b>	<b>2,129,111</b>	<b>52,352,663</b>	<b>49,995,787</b>	<b>53,399,300</b>	<b>1,046,637</b>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(1,499,381)	34,726	(1,464,655)	2,990,172	(413,341)	(1,051,314)
Other financing sources, net	3,315,105	-	3,315,105	-	-	3,315,105
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	1,815,724	34,726	1,850,450	2,990,172	(413,341)	2,263,791
Balance beginning of year	8,095,329	1,125,887	9,221,216	7,188,477	7,188,477	2,032,739
Balance end of year	<u>\$ 9,911,053</u>	<u>\$ 1,160,613</u>	<u>\$ 11,071,666</u>	<u>\$ 10,178,649</u>	<u>\$ 6,775,136</u>	<u>\$ 4,296,530</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,403,513.

During the year ended June 30, 2011, expenditures in the support services function exceeded the amount budgeted.

OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2009	July 1, 2008	\$ -	\$ 2,224	\$ 2,224	0.0%	\$ 28,373	7.8%
2010	July 1, 2008	-	2,224	2,224	0.0%	28,951	7.7%
2011	July 1, 2010	-	2,180	2,180	0.0%	29,348	7.4%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.



## Other Supplementary Information

## OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue		Capital	
	Management	Student	Projects	Total
	Levy	Activity		
<b>Assets</b>				
Cash and pooled investments	\$ 132,766	\$ 591,991	\$ 1,548,927	\$ 2,273,684
Receivables:				
Property tax:				
Current year	8,403	-	-	8,403
Succeeding year	400,001	-	-	400,001
Due from other governments	-	-	577,156	577,156
Prepaid expenses	-	-	297,000	297,000
Total assets	<u>\$ 541,170</u>	<u>\$ 591,991</u>	<u>\$ 2,423,083</u>	<u>\$ 3,556,244</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 3,934	\$ 25,090	\$ 3,690	\$ 32,714
Salaries and benefits payable	-	922	-	922
Deferred revenue:				
Succeeding year property tax	400,001	-	-	400,001
Total liabilities	<u>403,935</u>	<u>26,012</u>	<u>3,690</u>	<u>433,637</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepaid expenses	-	-	297,000	297,000
Restricted for:				
Management levy purposes	137,235	-	-	137,235
Student activities	-	565,979	-	565,979
School infrastructure	-	-	2,122,393	2,122,393
Total fund balances	<u>137,235</u>	<u>565,979</u>	<u>2,419,393</u>	<u>3,122,607</u>
Total liabilities and fund balances	<u>\$ 541,170</u>	<u>\$ 591,991</u>	<u>\$ 2,423,083</u>	<u>\$ 3,556,244</u>

See accompanying independent auditor's report.

## OTTUMWA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2011

	Special Revenue		Capital	
	Management	Student	Projects	Total
	Levy	Activity		
Revenues:				
Local sources:				
Local tax	\$ 362,456	\$ -	\$ 3,654,860	\$ 4,017,316
Other	23,751	892,282	29,653	945,686
State sources	313	-	-	313
Total revenues	<u>386,520</u>	<u>892,282</u>	<u>3,684,513</u>	<u>4,963,315</u>
Expenditures:				
Current:				
Instruction	263,615	906,315	-	1,169,930
Support services:				
Instructional staff services	-	1,998	-	1,998
Administration services	22,040	-	-	22,040
Operation and maintenance of plant services	175,985	-	-	175,985
Transportation services	-	6,246	-	6,246
Other expenditures:				
Facilities acquisition	-	-	322,714	322,714
Total expenditures	<u>461,640</u>	<u>914,559</u>	<u>322,714</u>	<u>1,698,913</u>
Excess (deficiency) of revenues over (under) expenditures	(75,120)	(22,277)	3,361,799	3,264,402
Other financing sources (uses):				
Interfund transfers out	<u>(393)</u>	<u>-</u>	<u>(2,726,136)</u>	<u>(2,726,529)</u>
Net change in fund balances	(75,513)	(22,277)	635,663	537,873
Fund balances beginning of year	<u>212,748</u>	<u>588,256</u>	<u>1,783,730</u>	<u>2,584,734</u>
Fund balances end of year	<u>\$ 137,235</u>	<u>\$ 565,979</u>	<u>\$ 2,419,393</u>	<u>\$ 3,122,607</u>

See accompanying independent auditor's report.

## OTTUMWA COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS  
 ENTERPRISE FUNDS  
 June 30, 2011

	School Nutrition	Youth Care	Career Academy House	Total
<b>Assets</b>				
Cash and pooled investments	\$ 447,201	\$ 89,914	\$ 22,847	\$ 559,962
Inventories	162,152	-	359,898	522,050
Capital assets, net of accumulated depreciation	386,791	-	3,950	390,741
Total assets	<u>\$ 996,144</u>	<u>\$ 89,914</u>	<u>\$ 386,695</u>	<u>\$ 1,472,753</u>
<b>Liabilities</b>				
Interfund payable	\$ -	\$ -	\$ 140,000	\$ 140,000
Accounts payable	9,008	9,548	2,035	20,591
Salaries and benefits payable	107,754	20,295	-	128,049
Deferred revenue	8,399	-	-	8,399
Net OPEB liability	12,430	2,622	49	15,101
Total liabilities	<u>137,591</u>	<u>32,465</u>	<u>142,084</u>	<u>312,140</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	386,791	-	3,950	390,741
Unrestricted	<u>471,762</u>	<u>57,449</u>	<u>240,661</u>	<u>769,872</u>
Total net assets	<u>\$ 858,553</u>	<u>\$ 57,449</u>	<u>\$ 244,611</u>	<u>\$ 1,160,613</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 ENTERPRISE FUNDS  
 Year Ended June 30, 2011

	School Nutrition	Youth Care	Career Academy House	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 541,975	\$ 144,624	\$ 3,745	\$ 690,344
Operating expenses:				
Support services:				
Salaries	66,960	-	-	66,960
Benefits	8,602	-	-	8,602
Purchased services	2,138	12,493	-	14,631
	<u>77,700</u>	<u>12,493</u>	<u>-</u>	<u>90,193</u>
Non-instructional programs:				
Salaries	549,230	122,795	-	672,025
Benefits	116,955	15,960	-	132,915
Purchased services	56,683	8,416	-	65,099
Supplies	1,091,069	24,346	-	1,115,415
Depreciation	51,429	-	-	51,429
	<u>1,865,366</u>	<u>171,517</u>	<u>-</u>	<u>2,036,883</u>
Facilities acquisition and construction:				
Purchased services	-	-	868	868
Supplies	-	-	1,167	1,167
	<u>-</u>	<u>-</u>	<u>2,035</u>	<u>2,035</u>
Total operating expenses	<u>1,943,066</u>	<u>184,010</u>	<u>2,035</u>	<u>2,129,111</u>
Operating income (loss)	<u>(1,401,091)</u>	<u>(39,386)</u>	<u>1,710</u>	<u>(1,438,767)</u>
Non-operating revenues:				
Interest on investments	3,172	565	-	3,737
Local sources	-	1,800	-	1,800
State sources	17,366	-	-	17,366
Federal sources	1,435,230	15,360	-	1,450,590
Total non-operating revenues	<u>1,455,768</u>	<u>17,725</u>	<u>-</u>	<u>1,473,493</u>
Change in net assets	54,677	(21,661)	1,710	34,726
Net assets beginning of year	<u>803,876</u>	<u>79,110</u>	<u>242,901</u>	<u>1,125,887</u>
Net assets end of year	<u>\$ 858,553</u>	<u>\$ 57,449</u>	<u>\$ 244,611</u>	<u>\$ 1,160,613</u>

See accompanying independent auditor's report.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF CASH FLOWS  
ENTERPRISE FUNDS  
Year Ended June 30, 2011

	School Nutrition	Youth Care	Career Academy House	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 514,313	\$ -	\$ -	\$ 514,313
Cash received from miscellaneous operating activities	24,586	144,624	3,745	172,955
Cash payments to employees for services	(732,317)	(142,889)	-	(875,206)
Cash payments to suppliers for goods or services	(1,061,732)	(42,146)	(195,616)	(1,299,494)
Net cash used by operating activities	<u>(1,255,150)</u>	<u>(40,411)</u>	<u>(191,871)</u>	<u>(1,487,432)</u>
Cash flows from non-capital financing activities:				
Increase in interfund payable	-	-	140,000	140,000
Local grants received	-	1,800	-	1,800
State grants received	17,366	-	-	17,366
Federal grants received	1,306,524	15,360	-	1,321,884
Net cash provided by non-capital financing activities	<u>1,323,890</u>	<u>17,160</u>	<u>140,000</u>	<u>1,481,050</u>
Cash flows from investing activities:				
Interest on investments	<u>3,172</u>	<u>565</u>	<u>-</u>	<u>3,737</u>
Net increase (decrease) in cash and cash equivalents	71,912	(22,686)	(51,871)	(2,645)
Cash and cash equivalents beginning of year	<u>375,289</u>	<u>112,600</u>	<u>74,718</u>	<u>562,607</u>
Cash and cash equivalents end of year	<u>\$ 447,201</u>	<u>\$ 89,914</u>	<u>\$ 22,847</u>	<u>\$ 559,962</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT  
COMBINING SCHEDULE OF CASH FLOWS  
ENTERPRISE FUNDS  
Year Ended June 30, 2011

	School Nutrition	Youth Care	Career Academy House	Total
Reconciliation of operating income (loss) to net cash used by operating activities:				
Operating income (loss)	\$ (1,401,091)	\$ (39,386)	\$ 1,710	\$ (1,438,767)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation	51,429	-	-	51,429
Commodities used	128,706	-	-	128,706
(Increase) in inventories	(40,700)	-	(176,354)	(217,054)
Increase (decrease) in accounts payable	152	3,109	(17,227)	(13,966)
Increase (decrease) in salaries and benefits payable	1,883	(5,638)	-	(3,755)
(Decrease) in deferred revenue	(3,076)	-	-	(3,076)
Increase in net OPEB liability	7,547	1,504	-	9,051
Net cash used by operating activities	<u>\$ (1,255,150)</u>	<u>\$ (40,411)</u>	<u>\$ (191,871)</u>	<u>\$ (1,487,432)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$128,706 of federal commodities.

See accompanying independent auditor's report.

## OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District-Wide:				
Interest	\$ 65,302	\$ 2,187	\$ 2,501	\$ 64,988
Musical Fees	5,603	2,285	2,451	5,437
Administration	3,150	30	-	3,180
Trips	250,660	355,314	355,056	250,918
Other	23,594	24,479	20,933	27,140
Agassiz	2,675	11,451	8,414	5,712
Douma	2,325	17,236	15,726	3,835
Eisenhower	17,566	12,446	16,173	13,839
Horace Mann	16,559	26,213	28,905	13,867
James	2,543	17,281	15,599	4,225
Pickwick	13,776	5,660	5,859	13,577
Wildwood	10,283	14,824	14,157	10,950
Wilson	12,753	7,548	9,836	10,465
Evans	47,380	29,636	21,951	55,065
High School	113,477	365,666	396,649	82,494
Alternative High School	610	26	349	287
Total	\$ <u>588,256</u>	\$ <u>892,282</u>	\$ <u>914,559</u>	\$ <u>565,979</u>

See accompanying independent auditor's report.



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OTTUMWA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 14,167,990	\$ 13,213,353	\$ 13,862,521	\$ 11,394,355
Tuition	667,025	640,221	626,137	706,636
Other	1,453,878	1,737,905	679,365	1,897,332
Intermediate sources	192,655	138,198	23,023	21,065
State sources	27,705,836	24,109,237	27,125,220	26,767,932
Federal sources	4,536,787	6,135,396	2,866,181	3,070,534
Total revenues	<u>\$ 48,724,171</u>	<u>\$ 45,974,310</u>	<u>\$ 45,182,447</u>	<u>\$ 43,857,854</u>
Expenditures:				
Instruction	\$ 28,677,641	\$ 27,716,944	\$ 26,782,056	\$ 26,056,421
Support services:				
Student services	1,634,091	1,395,964	1,358,617	1,262,883
Instructional staff services	1,874,829	1,928,677	1,547,588	1,772,491
Administration services	4,013,643	4,235,811	4,124,401	3,976,802
Operation and maintenance of plant services	3,785,141	3,609,090	3,606,585	3,538,876
Transportation services	1,453,860	1,311,944	1,206,227	1,225,644
Non-instructional programs	18,434	27,815	10,929	12,810
Other expenditures:				
Facilities acquisition	322,714	1,166,229	5,621,299	9,597,229
Long-term debt:				
Principal	6,060,000	2,025,000	680,000	635,000
Interest and fiscal charges	560,921	698,411	680,395	470,068
AEA flowthrough	1,822,278	1,769,471	1,586,078	1,559,499
Total expenditures	<u>\$ 50,223,552</u>	<u>\$ 45,885,356</u>	<u>\$ 47,204,175</u>	<u>\$ 50,107,723</u>

See accompanying independent auditor's report.

	2007	2006	2005	2004
\$	11,208,076	\$ 11,164,979	\$ 10,981,439	\$ 9,154,683
	707,458	703,647	674,413	656,652
	1,589,114	1,496,771	1,468,688	1,947,936
	17,871	19,195	44,665	7,193
	25,428,811	23,539,622	22,598,252	22,286,299
	2,608,625	2,682,677	3,321,783	3,349,311
\$	<u>41,559,955</u>	<u>\$ 39,606,891</u>	<u>\$ 39,089,240</u>	<u>\$ 37,402,074</u>
\$	25,424,111	\$ 24,393,086	\$ 23,843,305	\$ 23,014,703
	1,209,650	1,489,444	1,576,887	1,180,904
	1,394,278	1,398,523	1,163,541	952,636
	3,877,697	3,394,586	3,052,393	3,010,152
	3,595,889	3,512,685	3,240,112	3,381,279
	1,175,279	1,148,380	1,032,484	987,835
	16,473	54,216	18,886	96,537
	3,224,850	991,970	1,187,999	1,159,943
	615,000	550,000	525,000	500,000
	309,443	339,318	364,242	763,052
	1,480,592	1,395,915	1,341,364	1,345,454
\$	<u>42,323,262</u>	<u>\$ 38,668,123</u>	<u>\$ 37,346,213</u>	<u>\$ 36,392,495</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U.S. Department of Education:			
Fund for the Improvement of Education	84.215	FY 11	\$ <u>5,096</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	178,063
National School Lunch Program (non-cash)	10.555	FY 11	128,706
National School Lunch Program	10.555	FY 11	<u>1,091,228</u>
			<u>1,397,997</u>
Child and Adult Care Food Program	10.558	FY 11	<u>23,165</u>
Team Nutrition Grants	10.574	FY 11	<u>436</u>
Fresh Fruit and Vegetable Program	10.582	FY 11	<u>28,991</u>
National Endowment for the Arts:			
Iowa Arts Council:			
Promotion of the Arts-Partnership Agreements	45.025	FY 11	<u>1,800</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	5049-GC	136,803
Title I Grants to Local Educational Agencies	84.010	5049-G	1,280,152
Title I Grants to Local Educational Agencies	84.010	SINA	14,365
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>598,574</u>
			<u>2,029,894</u>
Migrant Education - State Grant Program	84.011	FY 11	<u>154,756</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 11	<u>1,348</u>
Education for Homeless Children and Youth	84.196	FY 11	<u>13,988</u>
Advanced Placement Program	84.330	FY 11	<u>840</u>
Rural Education	84.358	FY 11	<u>108,758</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Indirect (continued):			
U. S. Department of Education (continued):			
Iowa Department of Education (continued):			
Improving Teacher Quality State Grants	84.367	FY 11	<u>317,119</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>29,349</u>
Tech-Prep Education	84.243	FY 11	<u>64,847</u>
Reading First State Grants	84.357	FY 11	<u>45,701</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	239,826
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	<u>213,913</u>
			<u>453,739</u>
Education Jobs Fund	84.410	FY 11	<u>212,523</u>
Southern Prairie Area Education Agency:			
Special Education Cluster:			
Special Education - Grants to States	84.027	FY 11	249,711
ARRA - Special Education - Grants to States, Recovery Act	84.391	FY 10	<u>191,535</u>
			<u>441,246</u>
Title III English Language Acquisition Grants	84.365	FY 11	<u>23,401</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Promoting Safe and Stable Families	93.556	FY 11	<u>49,000</u>
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Problems	93.938	FY 11	<u>850</u>
Total			<u>\$ 5,404,844</u>

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Ottumwa Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Ottumwa Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Ottumwa Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 3, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ottumwa Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ottumwa Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ottumwa Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal controls over financial reporting during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ottumwa Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Ottumwa Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Ottumwa Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ottumwa Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ottumwa Community School District and other parties to whom Ottumwa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Ottumwa Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
January 3, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of  
Ottumwa Community School District:

Compliance

We have audited Ottumwa Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Ottumwa Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Ottumwa Community School District's management. Our responsibility is to express an opinion on Ottumwa Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ottumwa Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Ottumwa Community School District's compliance with those requirements.

In our opinion, Ottumwa Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Ottumwa Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Ottumwa Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ottumwa Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over compliance during the course of our audit.

Ottumwa Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Ottumwa Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Ottumwa Community School District and other parties to whom Ottumwa Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
January 3, 2012

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.367 – Improving Teacher Quality State Grants
  - Clustered programs:
    - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
    - CFDA Number 84.389 – ARRA – Title I Grants to Local Educational Agencies, Recovery Act
  - Clustered programs:
    - CFDA Number 84.394 – ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act
    - CFDA Number 84.397 – ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act
  - Clustered programs:
    - CFDA Number 84.027 – Special Education – Grants to States
    - CFDA Number 84.391 – ARRA – Special Education, Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Ottumwa Community School District qualified as a low-risk auditee.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

No matters were reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, exceeded the amount budgeted in the support services function.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.

- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- IV-F-11 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

- IV-H-11 Supplementary Weighting –The supplementary weighting certified to the Iowa Department of Education was overstated by 4.011 students due to counting students as enrolled in community college supplemental programs who never attended classes.

Recommendation – The District should contact the Department of Education to resolve this problem.

Response – We have contacted the Department of Education and are working on this problem.

Conclusion – Response accepted.

- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.

- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

OTTUMWA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,783,730
Revenues:			
Sales tax revenues	\$	3,654,860	
Other local revenues		<u>29,653</u>	<u>3,684,513</u>
Expenditures/transfers out:			
School infrastructure construction		309,043	
Equipment		13,671	
Transfers to other funds:			
Debt Service Fund		<u>2,726,136</u>	<u>3,048,850</u>
Ending balance		\$	<u><u>2,419,393</u></u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ 0.31000	\$ 225,000
Physical plant and equipment levy	0.33000	237,365